

MIHS Transition Public Forum

August 3, 2004

Web site: www.maricopa.gov/mihs2district



Agenda

- | | |
|-------------------------------|-------------------|
| ✦ <u>Welcome</u> | Ted Shaw |
| ✦ <u>Election Information</u> | Kristi Passarelli |
| ✦ <u>Year End Overview</u> | |
| ✦ Fiscal | Matt Nelson |
| ✦ Operational | Bill Ellert, MD. |
| | Phyllis Biedess |
| ✦ <u>National Trends</u> | Ann Thompson |
| <u>Effecting Our System</u> | Boone Powell |
| | Tom Matherlee |

*Q&A will follow each presentation





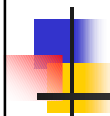
Elections Information

Filing deadline is Tomorrow!

August 4th, 5:00 p.m.



FY04 Year End Finance & Operations Report



August 3, 2004

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Maricopa Medical Center
Monthly Profit/Loss & Statistics (\$000's)

	Audited FY02 06/30/02	Audited FY03 06/30/03	Prelim FY04 06/30/04
Net Patient Revenue	\$ 275,871	\$ 305,682	\$ 354,711
Other Operating Revenue	23,027	29,222	27,613
Total Operating Revenue	298,898	334,904	382,324
Salaries, Wages, Benefits & Contract Labor	145,664	161,799	189,283
Professional Fees	25,766	25,002	25,549
Supplies	43,686	50,088	55,090
Bad Debt Expense	56,332	51,069	35,350
Depreciation & Amort	10,690	11,623	13,523
Interest	6,084	3,501	2,203
Other Expense	36,432	42,717	34,418
Total Operating Expense	324,654	345,799	355,418
Operating Profit	(25,756)	(10,895)	26,906
Non-Operating Revenue	728	433	155
Excess Revenue over Expense	\$ (25,028)	\$ (10,462)	\$ 27,061
Year-End Non Op Transfer In from General Fund	\$ 22,023		
Year-End Non Op Transfer In from Health Plans	26,756	\$ 19,352	\$ -
Total Year End Transfers In	48,779	19,352	-
Audited Increase in net assets per CAFR	\$ 23,751	\$ 8,890	27,061

Statistics

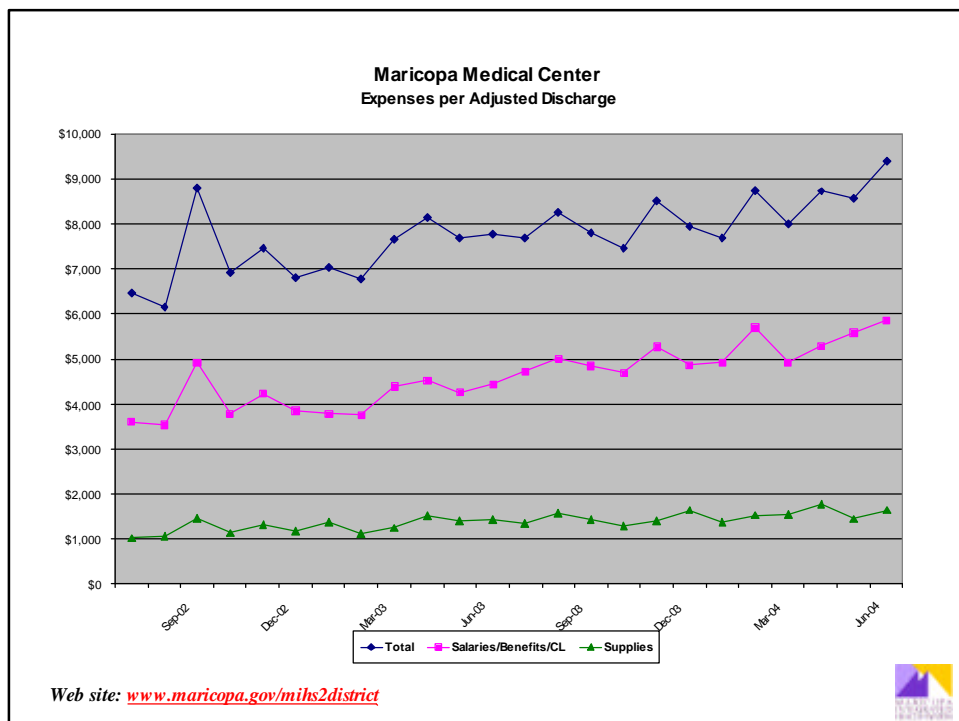
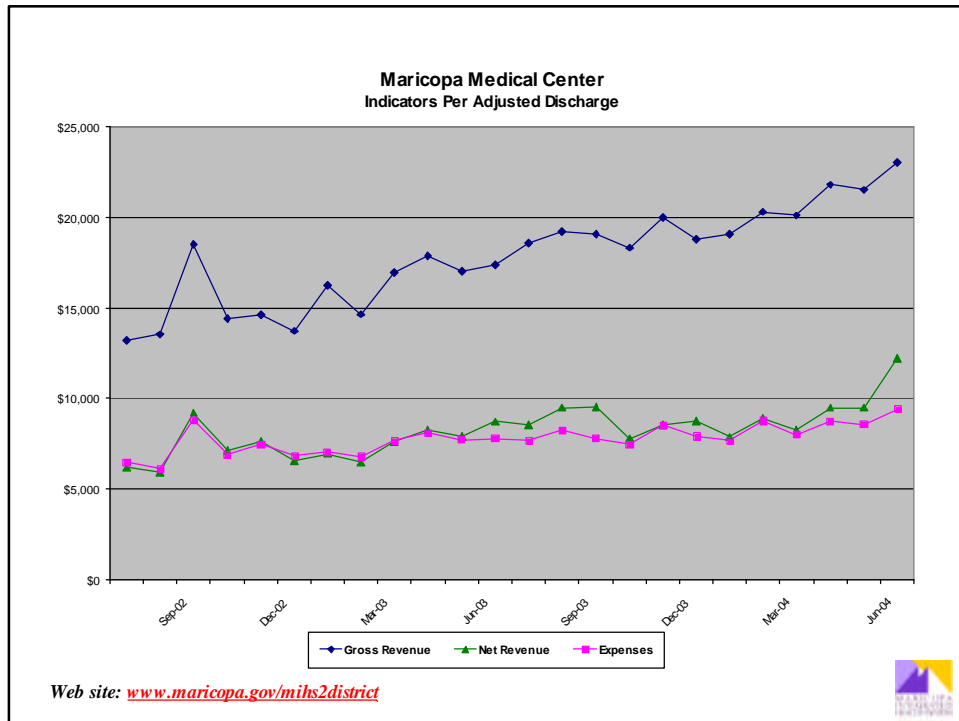
Patient Days	120,200	127,875	141,396
Discharges	22,353	22,180	21,117
Average Daily Census	329	350	387
Outpatient Visits	382,114	346,205	336,411
Average Length of Stay	5.4	5.8	6.7

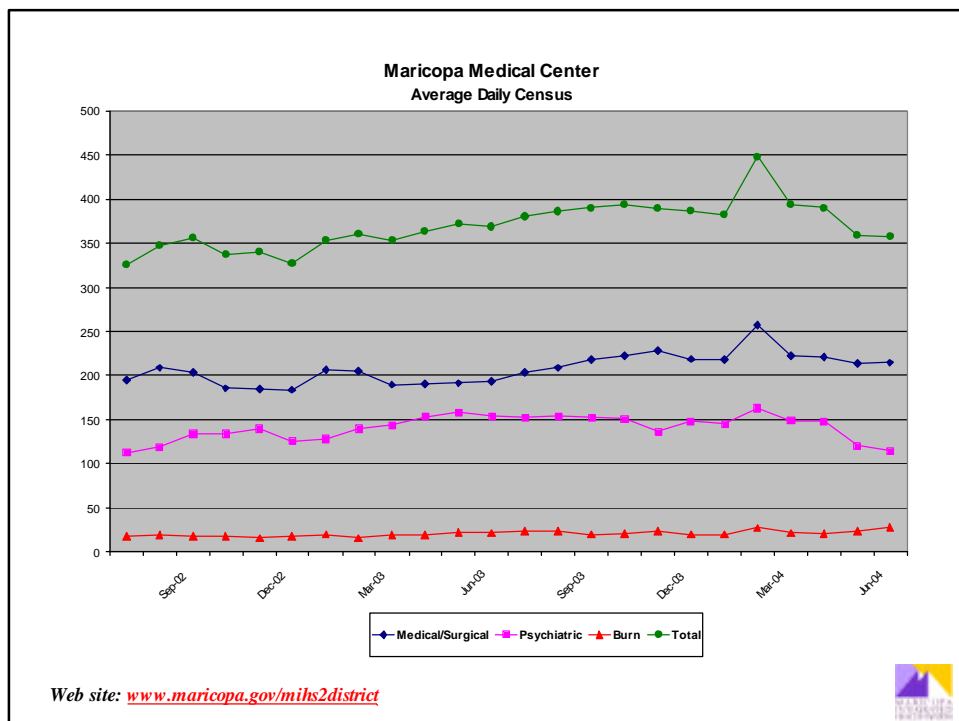
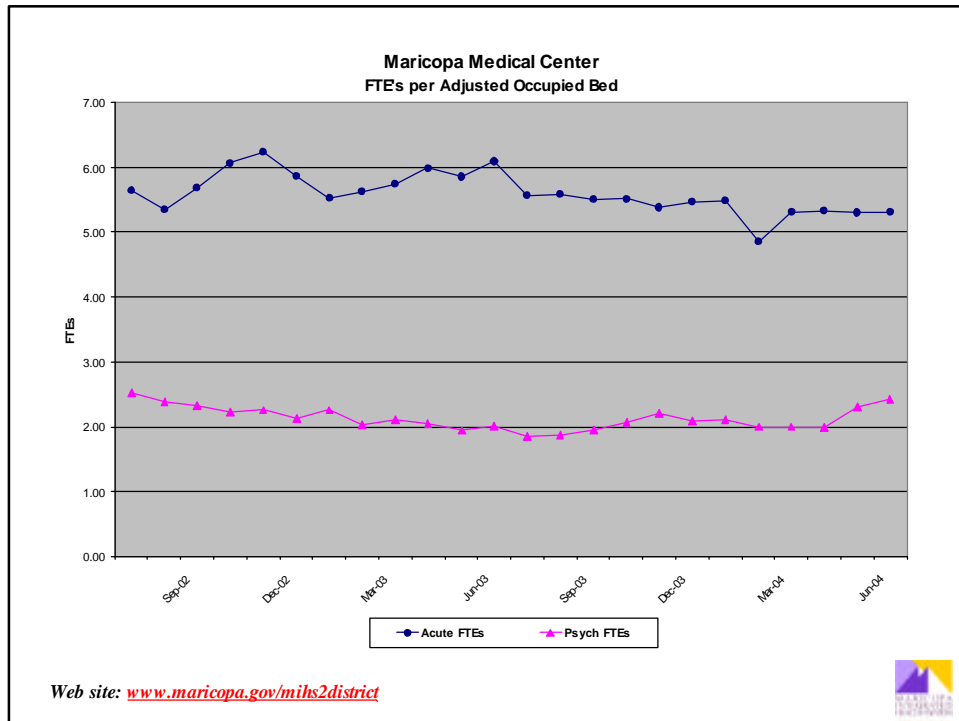


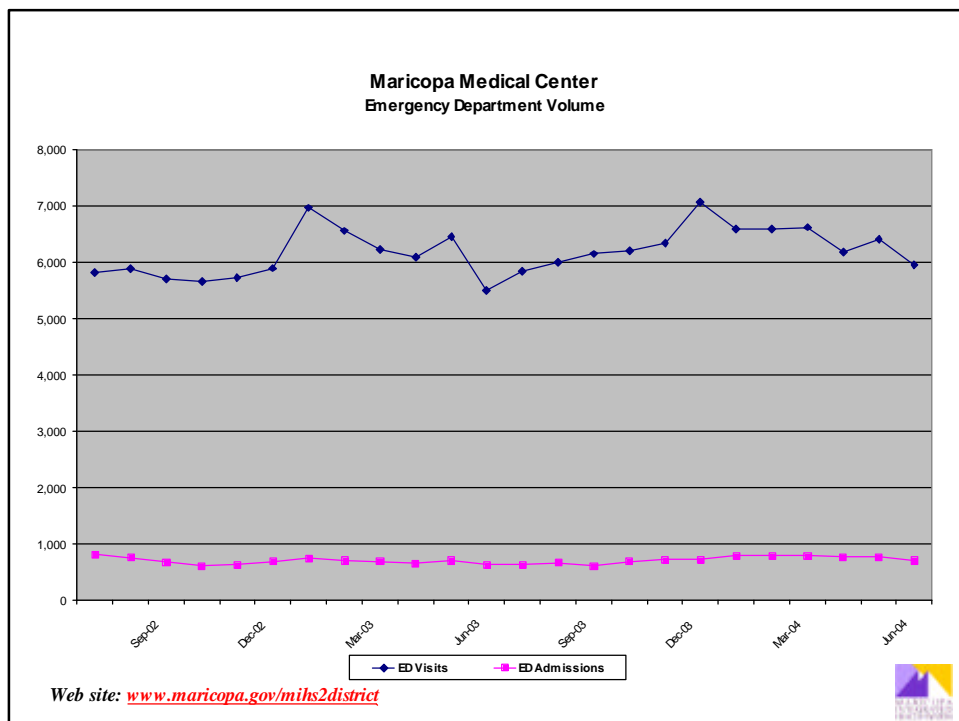
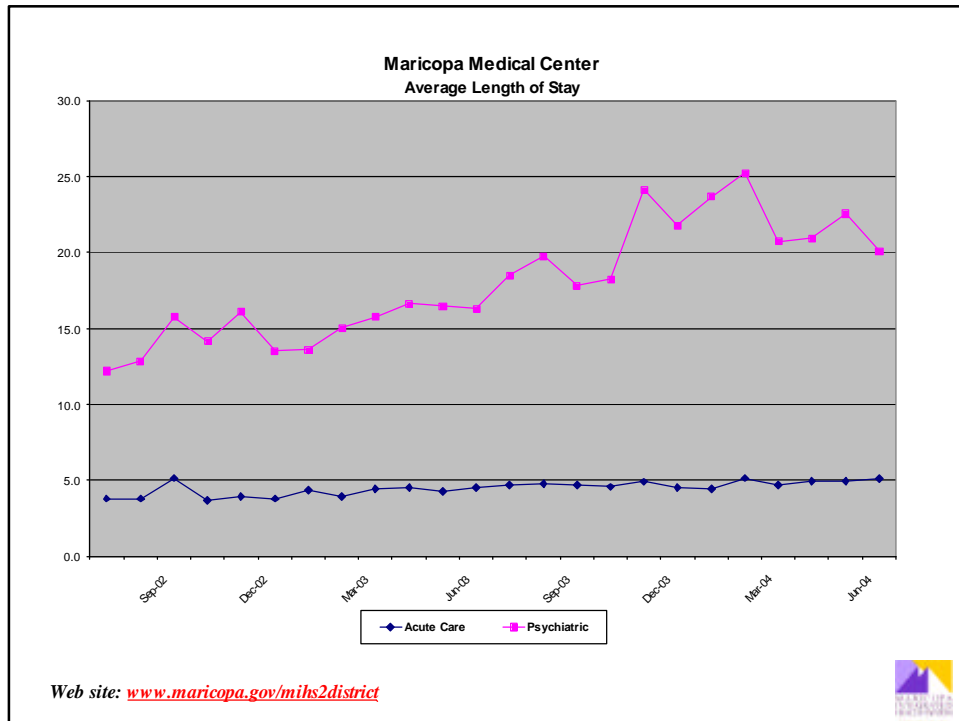
Maricopa Medical Center
Balance Sheet (\$000's)

	Audited FY02 06/30/02	Audited FY03 06/30/03	Prelim FY04 06/30/04
Cash	\$ (100,491)	\$ (43,001)	\$ (16,118)
Net Patient Accounts Receivable	42,655	44,032	36,504
Intercompany Receivables	7,251	9,718	12,435
Other Receivables	9,748	2,818	43,197
Inventories	6,437	6,239	6,309
Prepays	3,165	4,517	1,419
Total Current Assets	(31,235)	24,323	83,746
Net Property, Plant and Equipment	113,142	102,415	92,496
Investments	767	583	399
Total Assets	\$ 82,674	\$ 127,321	\$ 176,641
Accounts Payable	\$ 20,665	\$ 27,818	\$ 31,971
Current Portion of Long Term Debt	3,861	4,001	2,279
Intercompany	6,191	8,344	11,144
Other Liabilities	587	978	846
Total Current Liabilities	31,304	41,141	46,240
Long Term Debt	28,295	27,113	24,905
Total Liabilities	59,599	68,254	71,145
Contributed Capital	82,073	82,073	82,073
Retained Earnings	(33,970)	(12,544)	(3,638)
Net Income (Loss)	(25,028)	(10,462)	27,061
Total Equities	23,075	59,067	105,496
Total Liabilities and Equity	\$ 82,674	\$ 127,321	\$ 176,641









Maricopa Health Plans
Monthly Profit/Loss & Statistics (\$000's)

	Actual FY02 06/30/02	Actual FY03 06/30/03	Actual FY04 06/30/04
Gross Revenues	\$ 416,627	\$ 426,448	\$ 418,473
Medical Expense	374,730	389,176	449,255
Administrative Expense	24,918	26,004	31,537
Total Operating Expense	<u>399,648</u>	<u>415,180</u>	<u>480,792</u>
Operating Profit	16,979	11,268	(62,319)
Non-Operating Revenue/Expense	<u>5,543</u>	<u>2,214</u>	<u>640</u>
Excess Revenue over Expense	<u>\$ 22,522</u>	<u>\$ 13,482</u>	<u>\$ (61,679)</u>

Statistics and Ratios

Member Months	713,577	807,327	776,848
Medical Expense Ratio	89.9%	91.3%	107.4%
Administration Ratio	6.0%	6.1%	7.5%
Utilization at Maricopa Medical Center	45.6%	39.9%	35.4%

Maricopa Health Plans
Balance Sheet (\$000's)

	Actual FY02 06/30/02	Actual FY03 06/30/03	Actual FY04 06/30/04
Cash	\$ 88,517	\$ 71,869	\$ 47,490
Accounts Receivable	11,346	19,012	28,930
Intercompany Receivables		16,407	7,478
Other Receivables	30	1,083	497
Inventories	-	-	-
Prepays	<u>889</u>	<u>17,885</u>	<u>18,751</u>
Total Current Assets	100,782	126,256	103,146
Net Property, Plant and Equipment	2,206	3,413	3,313
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 102,987</u>	<u>\$ 129,669</u>	<u>\$ 106,460</u>
Accounts Payable	\$ 50,226	\$ 48,358	\$ 85,031
Current Portion of Long Term Debt	-	-	-
Intercompany	710	16,012	10,030
Other Liabilities	<u>6,125</u>	<u>25,298</u>	<u>3,827</u>
Total Current Liabilities	57,061	89,669	98,888
Long Term Debt	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	57,061	89,669	98,888
Contributed Capital	604	604	604
Retained Earnings	22,800	25,915	68,646
Net Income (Loss)	<u>22,522</u>	<u>13,482</u>	<u>(61,679)</u>
Total Equities	45,926	40,001	7,571
Total Liabilities and Equity	<u>\$ 102,987</u>	<u>\$ 129,669</u>	<u>\$ 106,460</u>



AHCCCS and ALTCS Enrollment Information
Source: AHCCCS Enrollment Reports

AHCCCS Acute Plan Enrollment (excludes IHS, DES/CM DP, FES, etc. populations)

	July 1, 2003	July 1, 2004	Change
MARICOPA HEALTH PLAN	44,447	39,254	-11.7%
Total Maricopa County AHCCCS Acute Plan Enrollment (6 Acute Plans) ¹	426,010	423,971	-0.5%
Total AHCCCS Acute Plan Enrollment (ARIZONA) ²	766,030	760,420	-0.7%

ALTCS Enrollment (includes vents, excludes DES/DDD populations)

	July 1, 2003	July 1, 2004	Change
MARICOPA LONG TERM CARE PLAN	7,233	6,654	-8.0%
Total Maricopa County ALTCS Enrollment (3 Program Contractors) ³	12,543	12,984	3.5%
Total ALTCS Enrollment (ARIZONA)	22,804	23,345	2.4%
TOTAL AHCCCS & ALTCS Enrollment (ARIZONA)	788,834	783,765	-0.6%



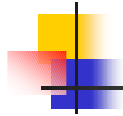
Health Plans Operations

SeniorSelect (Medicare+Choice Plan)

- Board approved auction of SeniorSelect
 - Eight organizations expressed an interest
 - Two organizations submitted bids
 - Selection anticipated in August
 - Requires CMS approval and 60 day notification to all members

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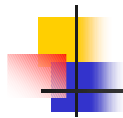




Health Plans Operations

- ✈ AHCCCS Corrective Action Plan
 - ✈ Equity Requirement
 - ✈ OAO Pended Claims Reduction
 - ✈ OAO Pended Encounters Reduction
 - ✈ New “TPA” Implementation

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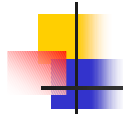


Health Plans Operations

- ✈ Equity Requirements
 - ✈ AHCCCS required plan equity of:
 - ✈ \$150 PMPM for MHP
 - ✈ \$2,000 PMPM for MLTCP
 - ✈ Maricopa County transferred \$32M to bring plan into compliance

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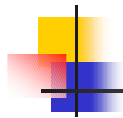


Health Plans Operations

✍ OAO Pended Claims Reduction

- ✍ AHCCCS targeted a reduction of claims inventory by 20% per month
- ✍ Claims Division met the goal for July
- ✍ Over 115,000 claims were processed during July

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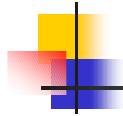
Health Plans Operations

✍ OAO Pended Encounters Reduction

- ✍ AHCCCS targeted 25,800 adjudications for July
- ✍ Claims Division met the goal
- ✍ 85,000 encounters were adjudicated in July
- ✍ \$1.4M in reinsurance claims were recovered

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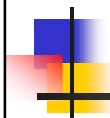
Health Plans Operations

- ✍ New “TPA” Implementation
 - ✍ Amerihealth Mercy/TMG on site
 - ✍ Implementation plan has been developed
 - ✍ Health Plan staff providing information necessary to TPA

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National Health Care Issues Impacting MIHS



August 3, 2004

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National Healthcare Issues Impacting MIHS's Future

- ✍ MIHS's future vision needs to take into consideration the overall healthcare market.
- ✍ Literature and data surfaced common issues.
- ✍ 'Sizing' the issues:
 - ✍ \$1.3 TRILLION annual expenditure
 - ✍ 13.4% of GDP

Year	Healthcare	% GDP
1980	\$246,000,000,000	8.8%
2000	\$1,300,000,000,000	13.4%

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Issues: Expenditures

- ✍ Healthcare costs dramatically rising – faster than nearly every other sector of the economy.
 - ✍ Average per capita expense = \$4,637
 - ✍ Last year of life Medicare = \$22,588
- ✍ Benefits of increased spending – since 1980:
 - ✍ Mortality due to heart attacks cut 50%
 - ✍ Mortality due to stroke cut by over 1/3
 - ✍ W/O the investment – 470,000 more deaths and 206 M more hospital days

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Issues: Expenditures

- ✍ Issue for US companies.
 - ✍ Americans (<65) with private insurance declined from 77% to 71% in the past twenty years.
 - ✍ Nearly 45 million uninsured.
 - ✍ Nearing 20% of the population.
 - ✍ Over 35% of the Hispanic community

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Issues: Expenditures

- ✍ Individual (out-of-pocket) funding has dropped dramatically – from 44.3% of total expenditures in 1965 – to 15% in 2000.
- ✍ The public sector has assumed a greater role in funding healthcare spending increases.

Year	Total Spent	Percent		Percent	
		Public	Private	Public	Private
1980	246	104.8	42.7%	140.9	57.3%
2000	1299.5	587.2	45.2%	712.3	54.8%
			5.9%		-4.4%

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Issues: Expenditures

- ✍ Dependency on public funds and increasing responsibility for uninsureds risky for MIHS.
 - ✍ Payment:cost ratios for Medicare/Medicaid < one.
 - ✍ Private payment:cost ratio is 1.12.
 - ✍ Uncertainty relative to public funds – elections.

MIHS Payer Mix	
Medicaid	48.0%
Medicare	14.1%
Self	12.6%
Commerical	12.1%
Other	8.4%
Correctional	4.9%

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Issues: Other Cost Pressures

- ✍ Teaching status –
 - ✍ Negative total margins largest for teaching hospitals – over 40%! (All hospitals = 30%).
- ✍ Undocumented immigrants.
- ✍ Medicaid change in payment (DRGs/APCs).
- ✍ Stand-alone status. No partners or system.
- ✍ Age/condition of facilities.
- ✍ No plan for growing revenue.

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Issues: Demand vs. Supply

- ✍ Managed care & technology = excess beds
 - ✍ Between 1980 and 2001, over 1,000 hospitals (17% of total) have closed or consolidated.
 - ✍ Over 377,000 beds have been taken out of service during this timeframe (28% of the bed total).
- ✍ Unfortunately, this trend may have gone too far:
 - ✍ Inpatient admissions — increasing since 1990.
 - ✍ Phoenix-area hospitals on divert daily.
 - ✍ MIHS frequently without monitored beds.

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Issues: Demand vs. Supply

- ✍ Lack of beds/diversion also due to lack of staff.
 - ✍ Nationally over 100,000 vacant nursing positions.
 - ✍ Reportedly 1 out of every 12 nursing positions is vacant.
 - ✍ Predicted to grow to 750,000 by 2020.
- ✍ Additional shortages of professionals:
 - ✍ Pharmacists
 - ✍ Diagnostic technicians
 - ✍ Neurosurgeons

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Issues: Demand vs. Supply

- ✍ Shortages particularly problematic at MIHS –
 - ✍ Working conditions,
 - ✍ Patient population, and
 - ✍ Wages

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Issues: Scrutiny

- ✍ Role of Boards and Oversight
- ✍ Accuracy of Billing
- ✍ Tax-exempt Status

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Trends – What Successful Hospitals Do Well

- ✦ Focus on consumerism, as patients more educated and have a choice of providers –
 - ✦ Convenience and satisfaction
 - ✦ Patient education/Participating in clinical decisions
 - ✦ Defendable quality and value
- ✦ Continued movement of programs/services to outpatient settings.
 - ✦ Since 1985– 1/3 of hospital market share to alternate sites.
 - ✦ 70% of all surgeries - up to 85% by 2010.

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Trends – What Successful Hospitals Do Well

- ✦ Quality and Cost as competitive leverage: Standardization/automation of operations and patient care processes:
 - ✦ Clinical resource utilization (care & outcomes management)
 - ✦ Revenue cycle
 - ✦ Supply chain
 - ✦ Product line analysis
 - ✦ Ability to track/trend/report/make decisions to improve performance

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Trends – What Successful Hospitals Do Well

- ✧ Physicians as Partners:
 - ✧ Align business interests.
 - ✧ Increased role of physicians in leadership
 - ✧ Operational and clinical improvements.
 - ✧ Strategic planning and business development.
 - ✧ Budget and capital decision making.
 - ✧ Patient flow.
 - ✧ Staffing.
 - ✧ Physician-friendly executive suites.

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Trends – What Successful Hospitals Do Well

- ✧ Hospitals continue to be cream-skimmed:
 - ✧ Heightened competition for surgical business
 - ✧ Diagnostics
 - ✧ Little competition for chronic, 'medical' patients
- ✧ Technology as business leverage: transforming data into information.
 - ✧ To support quality operations and service delivery
 - ✧ New devices/technologies to provide value.
 - ✧ Used as an integration/partnership strategy.

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Trends – What Successful Hospitals Do Well

- ✍ Capital accumulation (with emphasis on working capital) to fuel business growth and development.
 - ✍ Retrofitting facilities and/or replacing aging facilities.
 - ✍ Investment in technologies – medical and IT.
 - ✍ Capital to fund strategies and service expansion.
- ✍ Which of these issues will have the most impact on MIHS?

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